



## BRIEF IN SUPPORT OF PETITION

### Opinions Below

The opinion of the United States District Court for the Southern District of New York (Conger, D. J.) which disposed of the first cause of action and the counterclaim and upon which the judgment of August 12, 1941, is based, is reported in 40 F. Supp. 570 (R. 66). The opinion of the same court (Leibell, D. J.) which granted the motion for summary judgment and disposed of the second cause of action, upon which the judgment of December 30, 1941, is based, is not reported in the Federal Supplement, but is reported at 2 F. R. D. 294 and 52 USPQ 450 (R. 100). The opinions of the Court of Appeals modifying the judgment of August 12, 1941, reversing the judgment of December 30, 1941 (R. 128), and denying the petition for rehearing (R. 137) are reported only at 57 USPQ 1. All four opinions are found in the record, at pages 66, 100, 128 and 137, respectively.

### Jurisdiction

Note petition (*supra*, p. 6).

### Statement of the Case

The essential facts and issues of the case are stated in the foregoing Petition for Writ of Certiorari, but we shall restate them in more condensed form.

A case is here presented wherein respondents had notified petitioner of infringement of patent No. 1,983,983 (R. 75), then sued petitioner for infringement of that patent (R. 2); thereafter the petitioner filed answer (R. 6) and counterclaim (R. 11), the former raising the issues of both non-infringement and invalidity, and the latter alleging

a controversy between the parties and that the patent was both not infringed and invalid, and praying for an injunction restraining respondents from asserting their patent against petitioner (R. 14). The District Court found that at this stage a controversy existed between the parties sufficient to support the counterclaim (R. 75-76). The Court of Appeals left this finding untouched, as it did all the findings, since the respondents did not raise any question as to the correctness thereof and there was no evidence brought up in the record on appeal (R. 129 and 133). However, at the opening of the trial and before any evidence had been taken the respondents consented that judgment upon the merits should be rendered against them on the first cause of action, but only upon the ground that the petitioner had not infringed the patent (R. 75). They then moved that the counterclaim should be dismissed because the entry of judgment dismissing the first cause of action ended any existing controversy over the patent, and deprived the court of jurisdiction over the counterclaim (R. 129). The District Court overruled this motion, tried the sole issue of validity under the counterclaim, and held the patent invalid (R. 81). It is this holding of invalidity which the Court of Appeals struck from the judgment on the counterclaim, thereby laying the basis for the foregoing petition and for the ~~two~~ questions presented therein (*supra*, pp. 6-7).

### **Specification of Error**

Petitioner will urge, if the writ of certiorari is issued, that the Circuit Court of Appeals for the Second Circuit erred:

1. By holding that the issue of invalidity of patent No. 1,983,983 raised by the declaratory judgment counterclaim was moot and not justiciable.

2. By holding that when the respondents conceded non-infringement after an actual controversy had arisen between the parties, the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim became moot and not justiciable.

3. By holding that the District Court abused its discretion in taking up the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim and declaring said patent to be invalid.

4. By not holding that when respondents conceded non-infringement after an actual controversy had arisen between the parties, the court had constitutional jurisdiction of the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim.

5. By modifying the judgment of the District Court of August 12, 1941, which dismissed the first cause of action and sustained the counterclaim on the ground of invalidity, by striking out the declaration as to the validity of patent No. 1,983,983.

6. By reversing the judgment of the District Court of December 30, 1941, which dismissed the second cause of action.

### Summary of Argument

POINT 1. The questions presented have never been before this Court. However, there is a somewhat analogous case, *i. e.*, *A. W. Altrater and The Western Supplies Company v. Benjamin W. Freeman and The Louis G. Freeman Co.*, No. 696, October Term 1942 (petition filed Feb. 2, 1943, granted Mar. 8, 1943, argued Apr. 19, 1943, now awaiting decision). Since petitioner has changed its construction since the commencement of the trial (not of record), the court below erred in holding that petitioner's interest in declaration of invalidity is speculative. Aside from that,

however, a clearly invalid patent should not be allowed to hang as a threat over the public. *Aero Spark Plug Co. Inc. v. B. G. Corporation* (C. C. A. 2), 130 F. 2d 290, 294; *Borchard, Declaratory Judgments*, 2d Ed. 804. Furthermore, when petitioner filed its declaratory judgment counterclaim seeking to have a declaration of both infringement and validity of respondent's patent, the fact that the latter conceded non-infringement does not take the justiciability of the issue of validity from the court; *Borchard, Declaratory Judgments*, 2d Ed. 814, 815. There is a distinction between the case at bar, where there is a declaratory judgment counterclaim and that line of cases where the issues of infringement and validity were raised only by the complaint and answer, as exemplified by *Cover v. Schwartz* (C. C. A. 2), 133 F. 2d 541 and *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241. The Court of Appeals below, recognized this distinction (R. 131).

POINT 2. The decision herein of the Court of Appeals conflicts with a former reported ruling of that court in *Knaust Brothers, Inc. v. Goldschlag et al.* (C. C. A. 2), 119 F. 2d 1022, affirming on the opinion of the District Court reported at 28 F. Supp. 188. The instant case also conflicts with *Yardley v. Houghton Mifflin Co., Inc.* (C. C. A. 2), 108 F. 2d 28. Confusion exists in the Second Circuit Court of Appeals on the question of "controversy" under the Constitution. *Cover v. Schwartz* (C. C. A. 2), 133 F. 2d 541, 551.

POINT 3. The case at bar, decided by the Second Circuit Court of Appeals, conflicts with *Alfred Hofmann, Inc. v. Knitting Machines Corporation et al.*, 123 F. 2d 458, decided by the Third Circuit Court of Appeals.

POINT 4. Since the correctness of the findings of invalidity by the District Court was not attacked on appeal below, and there was no evidence included in the record to cast doubt on them, and Rule 1\* of the Federal Rules of

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\* See Appendix.

Civil Procedure provides that the rules "shall be construed to secure the just, speedy, and inexpensive determination of every action", the case should not be sent back for retrial upon the same evidence.

### Argument

The petition presents an important question of federal law which has not been, but should be, settled by this Court. Not only is this so, but certain of the circuits vary one with another and the Second Circuit is in a state of confusion, its own decisions being at variance.

#### Point 1

This Court has never had the questions here presented before it, insofar as petitioner can ascertain. However, a somewhat analogous case is now awaiting decision, *i. e.*, *A. W. Altrater and The Western Supplies Company v. Benjamin W. Freeman and The Louis G. Freeman Co.*, No. 696, October Term 1942, wherein petition for writ of certiorari was filed February 2, 1943, granted on March 8, 1943, and the argument heard on April 19, 1943. In that case, the Court of Appeals for the Eighth Circuit, 130 F. 2d 763, struck out those parts of the judgment below which held the patents invalid, which issue was raised by defendants' counterclaim for declaratory judgment; the reason assigned was:

"By their counterclaim defendants sought a declaratory judgment, but, as already observed, when the court found no infringement, there then remained no justiciable controversy" (p. 765).

Although the Court of Appeals, after the concession of non-infringement in the instant case, thought that petitioner had " \* \* \* no interest in such a declaration [of invalidity] except the purely speculative one that in the future it might so change the design of its cars that the plaintiffs would

sue it again" (R. 132), yet the fact is, although not in the record here (but in that in the District Court), that petitioner has changed its construction since the commencement of the action, and so it and its dealers and customers are now open to another action on the same patent. But aside from the fact that petitioner has actually changed its construction, petitioner is entitled to have the issue of validity of the patent settled under its counterclaim, not only so that it will know its rights, but to prevent a clearly invalid patent hanging as a threat over the public\*. Respondents commenced the action and necessarily had to rely on both infringement and validity to sustain their position. Petitioner realizing, even under the then newly established Federal Rules of Civil Procedure, that respondents could, if they desired, escape an adjudication of invalidity, filed with its answer the declaratory judgment counterclaim seeking to have the patent declared not only not infringed but also invalid. In this way the petitioner, after seeking full declaratory relief, would "not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid". *Borchard, Declaratory Judgments*, 2d Ed., p. 815.

*Borchard*, in speaking of the exact question presented here, *i. e.*, where there is a complaint and declaratory judgment counterclaim, both raising the twin issues of infringement and validity of a patent, says, at page 814:

"Nor should the patentee be allowed to take a consent decree under the counterclaim that there had been no infringement or withdraw his claim at the last moment

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\* "An invalid patent masquerading as a valid one is a public menace." Frank, J. concurring, in *Aero Spark Plug Co. Inc. v. B. G. Corporation*, 130 F. 2d 290, 294 (C. C. A. 2d). Cf. Black, J. dissenting, in *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126, 137.

*Borchard*, in his *Declaratory Judgments*, 2d Ed. 1941, says, in speaking of the reform effected with respect to patents by the Declaratory Judgment Act, at page 804: "The sword of Damocles is no longer available to the patentee."

and then assert that the question of validity had become moot, for neither of these devices would give the defendant the relief he seeks, an adjudication on the validity of the patent."

At page 815, *Borchard* makes the following illuminating analysis and conclusion which are exactly in point:

"Judge Hincks [in *Seruggs v. Casco Corp.*, 32 F. Supp. 625] suggests that in infringement cases in which by the answer the issues of validity and infringement are raised, even if the court entertains a counterclaim seeking a declaration on both the issues already raised by answer, upon a finding of non-infringement the issue of validity becomes moot under the doctrine of *Electrical Fittings v. Thomas & Betts*\*, leaving no justiciable controversy upon which the court could properly found a declaratory decree upon the issue of validity raised by the counterclaim. In this view, the counterclaim is redundant because the defendant can obtain no adjudication upon the counterclaim of greater scope than the adjudication upon the complaint. *The cases which have sustained counterclaims seeking a declaration of invalidity have not made this distinction, and it seems to the author important that the alleged infringer have an opportunity to obtain the affirmative relief which a decree on validity affords. Having been forced into court by the patentee who necessarily relied on the validity of his patent, he ought to be permitted to obtain an adjudication on the fundamental issue of validity—important for his present and any other products which approximate the patented device—and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.*" (Emphasis and matter in brackets supplied.)

There is a distinction between the case at bar and the quotations above, on the one hand, and that line of cases wherein this Court and lesser ones, on the other hand, have held the question of validity was moot once the court has

\* 307 U. S. 241. *Borchard* here says: "The Supreme Court has not directly passed on the present issue."



found the existence of non-infringement. In the latter line of cases, as exemplified by *Cover v. Schwartz*, 133 F. 2d 541 (C. C. A. 2) and *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241, there was no counterclaim or other pleading wherein the alleged infringer sought a declaration that the patent was invalid. In the situation here, and the one *Borchard* is speaking about, the petitioner sought the additional protection of invalidity by means of a declaratory judgment counterclaim.

The Court of Appeals, in the instant case, recognized this distinction for it placed its decision on the ground that the District Court "in the exercise of its discretion should have refused to adjudicate so much of the counterclaim as called for a declaration as to the invalidity of the patent" (R. 131). That court, in explaining its own former case, *Cover v. Schwartz*, *supra*, said, in grounding its decision on lack of constitutional jurisdiction:

" \* \* \* the controversy \* \* \* arose over a patent, and \* \* \* the judge had dismissed the complaint only for invalidity, though he had also said in his opinion that the defendant did not infringe. We agreed that the judge might have decided on both grounds but we dismissed the appeal upon the argument before us when the plaintiff conceded that the defendant did not infringe, because *we held that that ended our jurisdiction*" (R. 131—Emphasis supplied).

Petitioner, therefore, urges that the question presented herein is an important one of federal law which has not been, but should be, settled by this Court.

## Point 2

This point has been fully dealt with in reason 2 of the Reasons for Granting the Writ on page 7 of the foregoing petition.

**Point 3**

This point likewise has been briefed in reason 3 of the Reasons for Granting the Writ on page 11 of the petition.

**Point 4**

To our mind the result in the Court of Appeals is in contravention of Rule 1 of the present Federal Rules of Civil Procedure, which provides that the rules "shall be construed to secure the just, speedy, and inexpensive determination of every action".\*

Now the District Court, on the trial of the counterclaim, held the patent to be invalid, because of petitioner's prior use of the thing charged to be an infringement of it at a time anterior both to the patent and to the respondents' alleged "submission" to petitioner (Findings 23 and 26, *supra*, p. 3). The respondents conceded the correctness of the findings upon the evidence presented, since they did not raise any question as to their correctness in their appeal but only the question of the right of the District Court to try the issue. So, the evidence on which the findings were made was not in the record in the Court of Appeals. Hence, as is apparent, the proofs were sufficient to sustain the finding of invalidity of the patent and the finding that the petitioner had adopted the construction before the date of the submission. It seems to us, therefore, that it is directly contrary to the securing of the just, speedy and inexpensive determination, to send the case back for a retrial, upon the same evidence. It seems to us that these considerations outweigh the rather specious argument of the lower court that when respondents consented to the dismissal of the first cause of action "only the most shadowy controversy over the validity of the patent thereafter

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\* By Rule 13 (a) it was *compulsory* on the defendant to state as its counterclaim the matter of invalidity and non-infringement of the patent in suit, since it arose out of the transaction or occurrence that was the subject matter of the complaint. See Appendix.

remained" (R. 130). Indeed, the court *almost* admitted our position when it called attention (R. 131) to the provisions of Rule 57 (see Appendix) of the Federal Rules of Civil Procedure, that "the existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate".

### Conclusion

It is submitted that the petition for writ of certiorari should be granted in order that this Court may decide the important question as to the rights of a defendant to have an adjudication on the validity of the patent in suit, when that issue is also raised by a counterclaim for declaratory judgment and when plaintiff thereafter concedes that defendant has not infringed the patent. This Court has not decided that question; the Second Circuit Court of Appeals differs not only with itself but also with the Third Circuit; and this Court should clarify the confusion which exists.

Respectfully submitted,

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Attorney for Petitioner.

Dated: New York, N. Y., April 26, 1943.